

HJR 28 -- TAX REFORM

SPONSOR: Taylor

Upon voter approval, this Constitutional amendment phases out the individual income tax and replaces it with an expanded sales tax. From January 1, 2019, to January 1, 2021, the individual income tax is capped at 3%. After January 1, 2021, the individual income tax is eliminated.

From January 1, 2019 to January 1, 2021, the state sales tax cannot exceed 5% except on food, which is capped at 4%. After January 1, 2021, the total of the state sales tax, conservation sales tax, and the parks and soils sales tax cannot exceed 7%. For food, such tax cannot exceed 5.5.% after January 1, 2021. The General Assembly may increase taxes or fees in the event of an emergency.

The total of all sales taxes, including local taxes, but excluding transportation development districts and community improvement districts, is capped at 10%. This cap can be exceeded if higher local taxes are approved at an election or it is the temporary result of a recalculation of local taxes.

The tax revenue from the new sales tax will be deposited into the General Revenue Fund and appropriated by the General Assembly unless otherwise restricted by the constitution, except that a portion of the funds received will be deposited into the School District Trust Fund. The amount deposited in such fund cannot be less than the average annual amount deposited in the fund for fiscal years 2013 to 2017.

The new state sales tax will be on all retail sales of new tangible personal property and all taxable services. All existing sales tax exceptions are repealed as of January 1, 2019. The only sales tax exemptions authorized are those specifically listed in the amendment or those passed by a two-thirds majority of the General Assembly.

The General Assembly is required to enact a law by January 1, 2021, that continues providing a similar benefit as the Senior Citizens Property Tax Credit. Local sales taxes, the conservation sales tax, and the parks and soils sales tax will be recalculated to produce substantially the same amount of revenue based on the average collections over a five-year period.

This amendment creates a property tax relief credit equal to 50% of the increase in taxes on a homestead to be used on the taxpayer's current property tax bill. To be eligible, the prior year's tax liability on the residence must have increased by more than 5% in a

year of general reassessment or 2.5% in a year without reassessment. To qualify for the credit, a taxpayer must be at least 65 years of age; have total household income of no more than \$75,000, adjusted annually based on the consumer price index; and own a residence of no more than \$400,000 in appraised value, adjusted annually based on the consumer price index. Any taxpayer who claims this credit cannot also claim the Senior Citizen Property Tax Credit or any similar credit.

This bill is similar to SJR 25 (2016).